

MINING INVESTMENT AND LOCAL IMPACT FUND BOARD
2001-2003 BIENNIAL REPORT

Introduction

Since its inception, the Mining Board has reported on its activities every two years. This report continues the reporting policy for the July 2001 to June 2003 biennium.

The law creating the Investment and Local Impact Fund and Board was enacted in 1977. The Fund is often referred to as the Mining Fund or the Mining Impact Fund, and the Board is often referred to as the Mining Board. The purpose of the Board is to distribute moneys from the Mining Fund to local units of government to defray socioeconomic and environmental costs of metallic mineral mining.

The Department of Revenue, Division of Research and Policy, staffs the Board's day-to-day administrative functions. These functions include drafting grant agreements, managing the Board's financial accounts, authorizing disbursement of payments, organizing meetings and preparing reports.

Board Organization

The Board is comprised of eleven members. The Governor appoints nine members to staggered four-year terms. The Secretary of Commerce and the Secretary of Revenue, or their designees, are *ex officio* members of the Board.

Of the nine appointed members, three are public members, two are county officials, two are municipal officials, one is a school board member and one is a Native American. The Board's membership ensures that the interests of communities affected by mining are represented.

Table 1 lists the Board members as of June 30, 2003, the constituency represented by each member, the member's date of appointment and date the member's term ends.

TABLE 1 MINING INVESTMENT AND LOCAL IMPACT FUND BOARD June 30, 2003			
Name	Representing	Appointed	Term Ends
Sidney Bjorkman	School Board Member	9/12/02	5/1/03
Michael Brandner	Municipal Official	9/12/02	5/1/05
Roger Day, Chair	Public	5/6/92	5/1/04
Richard Gurnoe	Native American	8/10/93	5/1/01
Ronald Henkel	Public	7/22/98	5/1/06
Erhard Huettl	County Official	5/10/94	5/1/03
Daniel Merriam	Public	5/4/95	5/1/03
Michael L. Morgan	Secretary of Revenue		Ex officio
Corry Nettles	Secretary of Commerce		Ex officio
Elizabeth Sorensen, Secretary	Municipal Official	5/9/90	5/1/04
Vacant	County Official		

Mining Fund Balance

As of June 30, 2003, the Mining Fund has a balance of \$168,436, of which \$40,000 is encumbered by an existing discretionary grant. No additional revenue is expected within the foreseeable future, apart from interest earnings and a minimal amount of federal distributions.

Income and Disbursements

The Mining Fund is funded by net proceeds taxes, construction fees, notice of intent fees, interest earnings and federal distributions. The Board distributes funds to local units of government during different phases of mining through five different payment programs. The next section describes each funding source and the section after that describes each type of disbursement.

Income

The Mining Fund had total income of \$6,662 for the 2001-2003 biennium, consisting solely of interest on the Mining Fund balance.

Net Proceeds Taxes

Metallic mineral mines are subject to state net proceeds taxes (NPT) in lieu of local property taxes on the value of the ore body. Net proceeds are calculated as the gross proceeds from mining minus the costs of mine development, smelting and other costs of production. NPT are progressive – tax rates begin at 3% and increase up to a maximum rate of 15% – and the tax brackets are indexed to the Gross National Product deflator. NPT are paid each June based on the net proceeds of the prior calendar year. NPT are paid to the Department of Revenue, which transfers the proceeds to the State Treasurer for deposit in the Mining Fund. No NPT were paid this biennium.

Notice of Intent Fees

A mining company pays an initial \$50,000 Notice of Intent (NOI) fee to the Department of Revenue at the time the company notifies the Wisconsin Department of Natural Resources of its intent to apply for a mining permit. The NOI fee is deposited in the Mining Fund and used by the Board to reimburse expenses incurred by local units of government in negotiating a local agreement with the mining company. When half of the initial \$50,000 has been disbursed, the mining company pays a second \$50,000 to the Department of Revenue, and perhaps a third, up to a maximum of \$150,000. The Department of Revenue refunds any undistributed NOI funds six months after the local agreement is signed or when a company formally notifies the state that it no longer intends to apply for a mining permit. No NOI fees were paid this biennium.

Construction Period Payments

A mining company makes a one-time Construction Period Payment of \$100,000 to each city, county, town, village, and Native American community containing at least 15% of the ore body to be mined. These payments are made at the onset of mine construction and are used to defray costs of protective services, road improvements, and other expenses related to mining construction. No construction period payments were made this biennium.

Interest Earnings

Interest earned on the Mining Fund balance is credited to the Mining Fund each month; interest earnings totaled \$6,662 for the biennium.

Federal Distributions

Distributions from sales, bonuses, royalties, and rental of federal public domain lands within the state are credited to the Mining Fund. There were no federal distributions during the biennium.

Disbursements

No disbursements were made from the Mining Fund during the biennium.

The following section summarizes each type of payment, except notice of intent and construction period payments, which were described above.

First-Dollar Payments

First-dollar payments of \$100,000 indexed for inflation since 1982 are paid to each local government that contains at least 15% of the ore body. First-dollar payments are payable the January following a June payment of NPT. If NPT is not sufficient to make full first-dollar payments, the payments are prorated among eligible units of government. No first-dollar payments were made this biennium.

Use of first-dollar payments by towns, villages, cities, and Native American communities is not restricted. First-dollar payments to counties are restricted to mining-related purposes.

County Additional Payments

A county that receives a first-dollar payment may also receive a county additional payment in the amount of the lesser of \$250,000 indexed or 20% of the NPT. If the NPT payment is insufficient to make a full county additional payment, the county receives the balance of the NPT remaining after first-dollar payments have been made. County additional payments must be used for mining-related purposes. No county additional payments were made this biennium.

Discretionary Grants

In general, each year in which funds are available the Board solicits applications for discretionary grants that address mining-related concerns. Local units of government eligible to apply for discretionary grants are Wisconsin counties, cities, villages, towns, school districts, federally recognized tribal councils, and local and joint impact committees.

The only active discretionary grant during the biennium was an award of \$40,000 to the Menominee Indian Tribe to fund analyses related to the Department of Natural Resources (DNR) Environmental Impact Statement and preparations for the DNR hearing regarding the Crandon (Nicolet) Mine.

The Board retained throughout the biennium the unencumbered balance of the Mining Fund to enable it to assist local governments with expenses related to the Crandon Mine. However, in October 2003, the owners of the Crandon Mine withdrew its application for a mining permit.

Administrative Expenses

Under s. 70.3965, Wis. Stats., administrative expenses of the Board are assessed against mining companies in proportion to their gross proceeds from the previous year. Since the Board is administratively attached to the Department of Revenue, and no NPT has been paid since 1997, the Department absorbs the Board's administrative expenses.

Summary of Mining Activity

No metallic mineral mining occurred in Wisconsin during the biennium.

Crandon (Nicolet) Mine

The Mole Lake Sokaogon Chippewa and the Forest County Potawatomi Tribes purchased the proposed Crandon Mine and associated lands from the Northern Wisconsin Resource Group in October 2003. The new owners announced that the environmental risks of the mine were too great to justify mining. In addition, the new owners also withdrew their application for a mining permit and requested the Department of Natural Resources to cease its permit processing activities.

According to the Wisconsin Department of Natural Resources, the ore potential of the proposed mine near Crandon (Forest County) is an estimated 55 million tons, about thirty times that of the Flambeau Mine in Ladysmith (Rusk County). The ore body is south of the City of Crandon and east of the Mole Lake Indian Reservation, near the intersection of the Towns of Nashville, Ainsworth and Lincoln.

The Exxon Minerals Company first expressed interest in mining a copper and zinc ore body in Forest County in 1978, but withdrew its permit application in 1986. Exxon Minerals renewed its interest in mining the ore body in 1994 as the Crandon Mining Company, in partnership with Rio Algom of Canada. In early 1998, Exxon Minerals sold its interest in the mine to Rio Algom, which renamed the company Nicolet Minerals. Nicolet Minerals sold the mine to Northern Wisconsin Resource Group (NWRG) in April 2003. Although NWRG announced that it would continue the permitting process and develop the mine, as indicated above, NWRG sold the mine to two Indian tribes in October 2003.

Flambeau Mine

The Flambeau Mining Company began open-pit mining of copper and zinc near Ladysmith in 1993 and ended production in 1997. The mine site was reclaimed by filling the open pit in 1998, and redeveloped in 1999 as a tourist attraction with the construction of trails and erection of interpretive signs regarding mining.

Noranda-Lynne Project

Noranda Exploration informed the Board in 1993 that it had suspended activities relating to the proposed mine in Lynne (Oneida County).

The 2003-2005 Biennium

The Board is in a period of reduced activity since no mining is occurring at the present time. The Board will meet as required by law and the Department will continue to process reimbursement payments for discretionary grants and perform other administrative duties.